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Current Support Brief

US SANCTIONS CURTAIL FREE WORLD SHIPPING TO CUBA



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US SANCTIONS CURTAIL FREE WORLD SHIPPING TO CUBA

A combination of persuasion and punitive legislation by the US government brought a sharp decrease (57 percent) in 1963 in the number of Free World ships engaged in trade with Cuba. However, better utilization of the cargo capacity of chartered Western vessels and increased use of Soviet Bloc and Cuban ships held the decline in cargo to about 7 percent in 1963. If the delivery of Soviet military goods is excluded from the tonnage statistics, cargo deliveries fell off only about 3 percent compared with 1962. Thus the drastic reduction in Free World shipping to Cuba last year had only a slight effect, if any, on the Cuban economy.

The passage by the US Congress of the Foreign Assistance Act of 1963, the general buoyancy in world shipping markets (which reduces the attraction of the Cuban trade), and the rapid growth of the merchant fleets of Communist countries all point to a probable further decline this year in the number of Free World ships calling at Cuban ports. An exception to this general decline may be the number of British-flag ships chartered in the Cuba trade in 1964, depending on the availability of Free World charters. Of the voyages of Free World ships to Cuba in 1963, about one-third were under the British flag; the other two major sources of Free World shipping were Greece -- now virtually out of the Cuban re-trade as a result of the Greek royal decree -- and Lebanon, where restrictive legislation is pending.

The present size of the rapidly growing merchant fleets of Communist countries is sufficient to maintain Cuban imports without employing Free World vessels. Free World ships now under charter to Communist countries could be substituted for Communist vessels at present being used on other than Cuban trade routes. Consequently, although US sanctions against Free World shipping to Cuba may cause inconvenience and somewhat higher shipping costs to Communist countries, these sanctions are unlikely to reduce the Cuban trade materially.

1. Volume of Cuban Foreign Trade

Since September 1962 the US Government has made an intensive effort to reduce Cuba's trade with the rest of the world and, with the assistance of natural economic forces,* has achieved a notable decrease

* See 4, below.

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in the number of Free World ships calling at Cuba. The total number of Free World ships that arrived in Cuba in 1963 declined to 371 from a level of 865 in 1962 (see Table 1). This reduction in the arrival of Free World ships to a level of only about 43 percent of that of 1962, however, did not result in a proportional decline in cargoes delivered to Cuba by Free World ships. Because of better utilization of cargo capacity,* deliveries of cargo in Free World ships in 1963 fell to only 69 percent of the level of 1962 -- that is, they dropped from about 4.1 million tons** in 1962 to about 2.8 million tons in 1963 (see Table 2***).

However, because cargo deliveries on Soviet Bloc and Cuban ships increased, there was only a decline of 7 percent in Cuba's total imports in 1963. Furthermore, if military cargo is not included in the dry-cargo statistics, the decline in Cuba's imports is only about 3 percent. (Military cargo deliveries were 175,600 tons in 1962 and 38,500 tons in 1963.) These figures indicate that the drastic reduction in Free World shipping to Cuba probably was not a significant factor in the small reduction of economic deliveries to Cuba last year.

2. US Measures to Obstruct Ship Traffic to Cuba

Three measures have been employed by the US Government to reduce Free World shipping to Cuba. These measures are (a) persuasion; (b) denial of military or economic aid to countries that permit their ships to carry military or economic aid goods to Cuba†; and (c) denial of cargoes, the freight charges for which are paid by the US Government, to ships that have made voyages to Cuba. ††

3. Results of Programs for the Discouragement of Shipping to Cuba

Persuasion, which has been employed since the Soviet military buildup in Cuba in mid-1962, has proved to be the most effective tactic.

* The improvement in utilization of cargo capacity of aggregate Free World tonnage arriving in Cuba in 1963 compared with 1962 was due in large measure to a reduction of ships arriving in ballast and to the complete elimination of cargo liner traffic (see the chart, inside back cover).

** Tonnages are given in metric tons throughout this publication.
*** P. 4, below.

† Under the provisions of Section 107 of PL 87-877, the Foreign Aid and Related Agencies Appropriation Act, signed by the President on 23 October 1962.

†† Provided by National Security Action Memorandum No. 220, dated 5 February 1963.

Table 1

Arrivals of Free World Ships in Cuba, by Flag
1962 and 1963

<u>Flag</u>		<u>Number of Arrivals</u>
	<u>1962</u>	<u>1963</u>
Total	<u>865</u>	<u>371</u>
Belgium	2	0
Chile	4	0
Denmark	41	1
Finland	3	1
France	14	8
Greece	172	99
Honduras	2	0
Italy	36	16
Japan	27	1
Lebanon	52	64
Liberia	23	0
Morocco	5	9
Netherlands	20	0
Norway	85	14
Panama	15	0
South Africa	1	0
Spain	37	8
Sweden	44	3
Turkey	4	0
UK	165	133
West Germany	82	2
Yugoslavia	31	12

Most of the countries that have forbidden their shipowners to engage in the Cuban trade or persuaded them to abandon it did so before the passage of punitive US legislation. West Germany, Panama, Liberia, and Honduras imposed official controls on shipping to Cuba. Other countries, including the Netherlands, France, Denmark, Norway, Turkey, Japan, and Italy, asked their shipowners to leave the Cuban trade and received almost complete compliance. On 14 March 1963, as a result of US Government pressures, the Greek Government by royal decree forbade Greek-flag ships to carry any sort of cargo to Cuba unless they were operating under charters signed before the date of the decree. Greek-flag ships then became predominant among those sailing to Cuba in ballast to load sugar. A second Greek royal decree, of 27 September 1963,

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Table 2

Cargo Tonnage Delivered to Cuba
by Free World, Communist, and Cuban Shipping a/
1962 and 1963

	1962			1963			Thousand Metric Tons
	Dry Cargo	Tanker	Total	Dry Cargo	Tanker	Total	
Total	<u>3,327</u>	<u>4,536</u>	<u>7,863</u>	<u>3,106</u>	<u>4,222</u>	<u>7,326</u>	
Free World	2,144	1,909	4,053	1,241	1,552	2,792	
Communist	1,038	2,626	3,664	1,634	2,671	4,304	
Cuba	145	0	145	230	0	230	

a/. Because of rounding, components may not add to the totals shown.

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forbade Greek-flag ships to carry cargoes from Cuba unless operating under charters signed before the decree. As a result, the number of Greek-flag ships in the Cuban trade dropped to two in both November and December.

The Lebanese Government had virtually no influence with owners of Lebanese-flag ships, because few of these ships are owned by Lebanese companies. As for the government of the UK, it has taken the position that British shipping is entitled to the freedom of the seas in Cuban as well as in any other trade.

Because of the many loopholes provided in the language of Section 107 of the Foreign Aid and Related Agencies Appropriations Act, it was nearly impotent as a deterrent to Free World shipping to Cuba and served best as an expression of US feeling. Its penalties did not apply with respect to ships that called at Cuba (a) if they did not carry identifiable items covered by the Battle Act or goods associated with known foreign aid assistance programs in Cuba, (b) if they were at sea when the legislation was passed, (c) if they were operating on charters negotiated before the legislation was passed, or (d) if they arrived at Cuba without cargoes (many arrived in ballast to load sugar and molasses). The sanctions did not have significance for a number of countries that receive no economic assistance from the US.

The penalties of National Security Action Memorandum No. 220 fall not on governments but on shipowners, and, therefore, the effectiveness of this measure was dependent on economic conditions. Until late summer 1963 the world shipping market was deeply depressed, and many shipowners preferred to charter their ships in the Cuban trade rather than to maintain their eligibility for US Government-financed cargoes by leaving their ships unemployed.

4. Other Pressures on Free World Shipping in the Cuban Trade

Two new factors are now at work that will tend to reduce the employment of Free World ships in the Cuban trade. One factor is the increased world demand for shipping since September 1963, particularly to carry US PL 480 cargoes (for which ships that have been to Cuba since 1 January 1963 are ineligible). Before September 1963, chartering for voyages to Cuba (and chartering to Communist countries in general) provided the only available employment for ships that otherwise would have been laid up and probably has kept some small ship-owners from going out of business during the long depression in the

world shipping industry. Moreover, freight rates in the Cuban trade have been advantageous. Now, however, the general buoyancy in world shipping markets reduces the dependence of marginal shipowners on charters to Communist countries and on Cuban voyages. The second factor that reduces the need for Free World ships in the Cuban trade is the present large size and high rate of growth of the merchant fleets of Communist countries and the increasing facility with which, if necessary, these countries can keep Cuba supplied without using their chartered Free World tonnage on the Cuban routes.*

The somewhat dismal outlook for charter business from the Communist countries after 1965-66 may influence some of the larger owners to withdraw their ships from the Cuban trade as their charters to Communist countries expire in order to have these ships removed from the "blacklist" of the US Maritime Administration and made eligible again for cargoes financed by the US Government. Owners also may hope that by prompt action now in withdrawing from the Cuban trade they may get their ships off the "blacklist" of the International Longshoremen's Union as well as the tanker "blacklist" of the Standard Oil Company of New Jersey by the time that Soviet Bloc business has become much less available.

5. Participation by Flag of Free World Shipping in Cuban Trade in 1963 and the Outlook for Free World Carriage of Cuban Trade in 1964

A total of 206 Free World ships were involved in the Cuban trade in 1963, as follows:

<u>Flag</u>	<u>Number of Ships</u>	<u>Flag</u>	<u>Number of Ships</u>
Total	206	France	4
UK	64	Morocco	4
Greece	58	Spain	4
Lebanon	43	Sweden	2
Italy	10	Finland	1
Yugoslavia	6	Denmark	1
Norway	6	West Germany	2
		Japan	1

* This reduction in the dependence of Communist countries on chartered Free World shipping probably is the principal reason why one British shipowner failed to renew a number of long-term Soviet time charters on tankers to carry Soviet oil to Cuba when their terms expired.

Of these ships, about one-third were under the British flag and are not likely to be forced out of the Cuban trade by UK governmental action. Greek-flag ships amounted to 28 percent of the total, and virtually all of these are out or soon will be out of the Cuban trade as a result of the Greek royal decree. The Lebanese-flag ships, representing 21 percent of the total, may be forced out of the trade if the Lebanese Government passes legislation now in process. The remaining 41 ships are scattered among the flags of 11 countries, none of which has a very large participation. With the exception of Yugoslavia and France, the remaining countries are somewhat susceptible to the provisions of the Foreign Assistance Act of 1963, which became effective on 15 February 1964.

Thus it appears that British-flag ships will constitute the principal part of Free World shipping in the Cuban trade in 1964. They probably will be available for the Cuban trade in sufficient numbers unless a continuation of the present world shipping boom offers more remunerative employment elsewhere. It is conceivable that some British ship-owners, seeing a dim future for charters to Communist countries and wishing to remove their names from various US blacklists, may decide to pull out of the Cuban trade in the near future.

Some ships, not presently under the British flag, may be registered under the British flag for the purpose of trading with Cuba. Of the 43 Lebanese-flag ships in the Cuban trade in 1963, 24 were controlled by British shipping companies (none of the 43 was controlled by a Lebanese company). If continuing these ships in the Cuban trade offers sufficient financial advantages, the British owners can switch from Lebanese to British registry. The British shipowners in the Cuban trade typically have chartered their ships to Communist countries in recent years and control many more ships (many of which are under charter to Communist countries) than they have used in the Cuban trade. Their ships fly various flags, and if they can no longer send Greek-flag or Lebanese-flag ships to Cuba, they can substitute British-flag ships.*

* In January 1964, three British-flag ships controlled by Basel M. Mavroleon (the Mulberry Hill, the Oak Hill, and the Sycamore Hill) arrived in Cuba. The employment in the Cuban trade of these ships that had not been to Cuba in 1963 and were not previously on the "blacklist" of the US Maritime Administration somewhat overcompensated for the removal of two of Mavroleon's Greek-flag ships (the Pollux and the Polaris) from the Cuban trade in response to the Greek royal decree.

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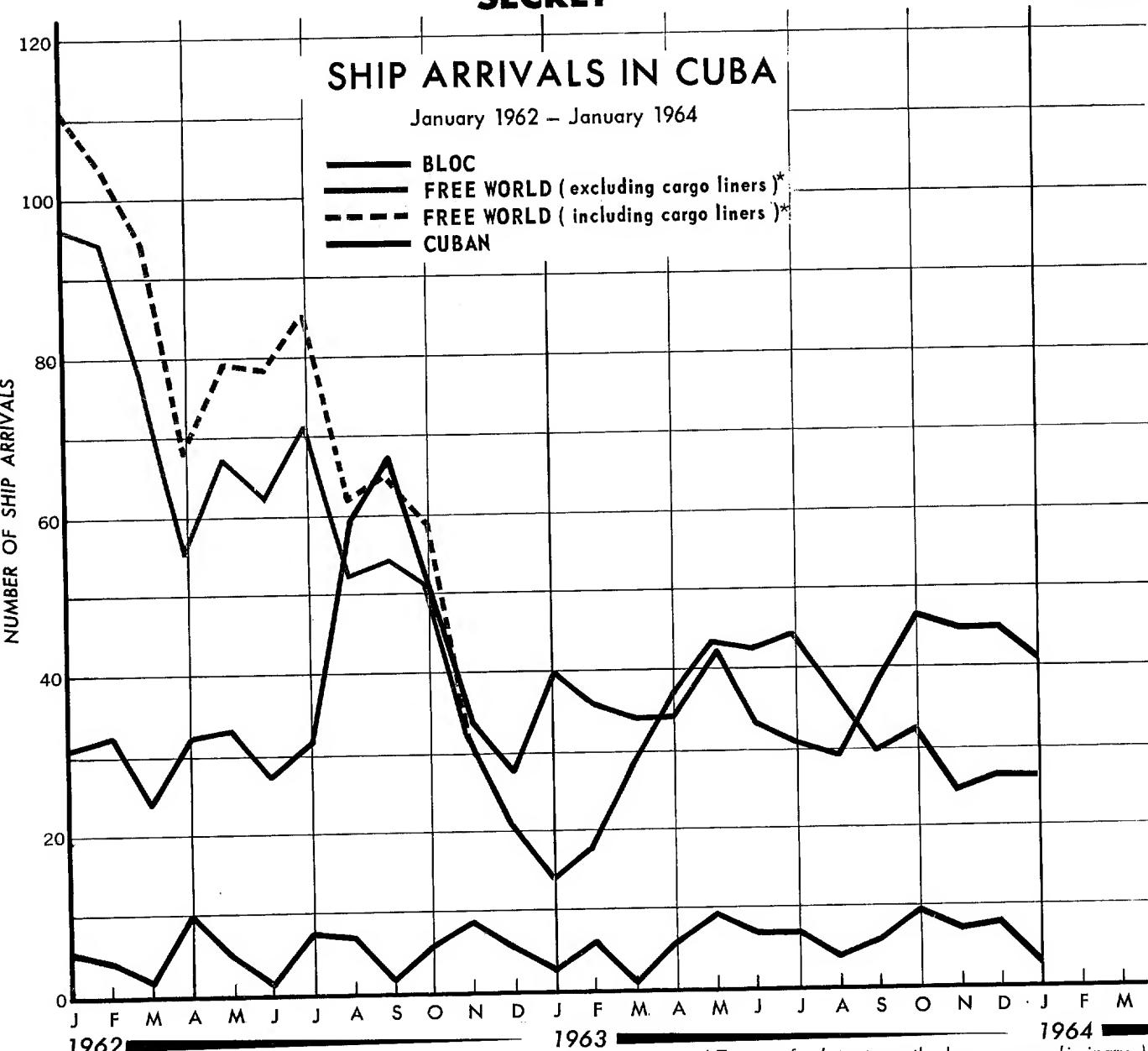
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Figure 1



* Many Free World ships, operating on scheduled cargo liner service, called at Cuban ports to offload small amounts of cargo until the establishment of the U.S. quarantine on 22 October 1962. Since then, the United States has employed

both moral suasion and sanctions to discourage shipping to Cuba. This action effectively removed Free World cargo liners from the Cuban trade.

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